Department of Energy
Washington, DC 20585

July 26, 2004

MEMORANDUM FOR DISTRIBUTION

FROM: *James T. Campbell*
              JAMES T. CAMPBELL, ACTING DIRECTOR
              OFFICE OF MANAGEMENT, BUDGET AND
              EVALUATION/ACTING CHIEF FINANCIAL OFFICER

SUBJECT: Processing Integrated Contractor Cost Overruns

Implementing Oracle Federal Financials, a commercial-off-the-shelf application, has and will require the Department to change some of its business practices and processes. One of the practices changing is the processing of Integrated Contractor cost overruns.

Currently, to avoid month-end processing delays, several offices allow Integrated Contractor overruns to be reported as part of the month-end closing process. These offices then work with their contractors to determine whether the overruns are the result of an error or are true cost overruns and, based on the situation, determine the actions needed to fix the problem. Other offices do not allow overrun reporting and require the contractors to correct and resubmit their monthly file if overruns are encountered.

Oracle Federal Financials can be configured to automatically create new obligations for costs that exceed obligations, if tolerances are allowed for receiving goods in excess of amounts ordered. However, for internal control purposes, the Department has elected not to allow tolerances. As a result, our business practices related to overruns must change.

Beginning in Fiscal Year 2005, Integrated Contractors' cost overruns must be reported in their monthly file using a separate Standard General Ledger (SGL) account. A separate SGL account (610099) will be used to identify those amounts in excess of the amount obligated. A corresponding liability (299099) must also be reported to offset the 610099 account in lieu of reporting them as current year payments with Integrated Contractors (Balance Sheet Code 8123, SGL 579004). The amounts in the file designated for the cost overrun account will create General Ledger entries in STARS, and as contractors receive additional obligational authority or corrections are made, the entries previously recorded will need to be reversed by contractor entries in the interface file. Although we are aware this guidance is being issued late in the STARS testing cycle, it is imperative the Integrated Contractors understand once STARS has been implemented their monthly files will be rejected for cost overruns not submitted in the manner described above.

If you have any questions concerning this reporting requirement, please contact Laura Kramer on 301-903-9932 or by email at laura.kramer@hq.doe.gov.

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